



Appropriations Committee  
Labor Department  
FY 2015 Mid-Term Budget Adjustments Presentation

February 11, 2014

Good afternoon:

Senator Bye  
Representative Walker  
Senator Kane  
Representative Miner  
Members of the Appropriations Committee

My name is Sharon Palmer, Commissioner of Labor.

Thank you for the opportunity to discuss the Governor's proposed FY 2015 Mid-Term Budget Adjustments today. I have some brief remarks, after which I and my staff will be available to answer any questions you may have concerning our budget.

Our purpose at the Department of Labor is to provide services through a variety of delivery methods which benefit workers, employers, veterans, the general public, educational institutions, and government policymakers.

Listed below are the agency departments which have significant public interface. Each department has multiple subcategories of programs.

They are:

Apprenticeship & Training

CONN-OSHA

Employment Security Board of Review

Employment Services

Labor Relations Board

Mediation & Arbitration Board

Office of Workforce Competitiveness

Research & Information

Unemployment Insurance Operations

Unemployment Insurance Tax

Veterans' Workforce Development

Wage & Workplace Standards Division

It is important to note that the Department is approximately 90% funded by federal dollars. The budget you have before you is for state allocations and 2015 budget adjustments.

While our economy is improving, we still have much work to do in the areas of employment, education and training. The budget adjustments reflect these priorities.

- **Personal Services**

Increase Enforcement of Wage and Workplace Standards \$300,000

Provides funding to support six additional employees to investigate complaints and ensure employers comply with wage and workplace standards. (+300)

(- \$100) General Reduction

- **Apprenticeship**

General Reduction (- \$50,000)

- **21<sup>st</sup> Century and Incumbent Worker consolidation (\$429,178 + \$377,500)**

Consolidate the 21st Century and Incumbent Workers Accounts

- **Opportunities for long-term employment - Platform to Employment ("P2E") (\$3.6M)**

The proposed Connecticut Platform to Employment program will provide a cost effective solution for the long term unemployed throughout Connecticut. Over 142,000 residents have exhausted nearly two years of Unemployment Insurance benefits. Because the

length of one's unemployment serves as the greatest barrier to re-entering the workforce, I am very hopeful that the "Platform to Employment" (P2E) will eradicate this problem by moving at least 500 long-term unemployed residents into meaningful employment – 80% of whom we expect to be placed with an employer.

Details of P2E:

- 8 week wage subsidy for participants – risk free to the employer;
- Intensive 5-week job readiness training;
- Financial coaching and budgeting assistance; and
- Improves job retention at a cost of \$7,200 per person.

Governor Malloy understands the obstacles many of our long-term unemployed residents face when trying to find new jobs. His support the P2E program will go a long way toward getting jobs for qualified jobseekers that have been shut out of the employment market far too long, and due to no fault of their own. I look forward to participating in the success of this program.

- **Veterans Opportunity pilot (\$600,000)**

I am also excited to participate in the Veterans' Employment Initiative which will promote gainful employment for hundreds of homeless and at-risk veterans.

Governor Malloy and Lt. Governor Nancy Wyman have been extremely supportive of our efforts to assist our veterans – those that are just returning back to civilian life, or those having long-term issues as a result of their service to our country. The Department is also dedicated to helping our vets find good jobs, and we are pleased to note that these funds will support grants to housing agencies to hire employment specialists and job developers dedicated to creating employment opportunities for veterans. Funding is also provided to support a statewide coordinator to oversee the initiative.

## **Updates on Programs of Interest (some federal programs)**

### **Unemployment Insurance ("UI")**

The Unemployment Insurance Program continues to be a vital component in the state's economic recovery. UI is the primary source of financial support for over 70,000 people who continue to file each week.

In the last fiscal year, over \$750 million was paid in regular (state) UI benefits; and over \$550 million paid in extended federal benefits.

The two Unemployment Call Centers processed nearly 900,000 phone calls from the public in the past year.

Our Governor and many of our Legislators have voiced support for the extension of these federal benefits, and we appreciate their efforts. Unfortunately, as you probably know, the federal Emergency Unemployment Compensation program expired December 31, 2013, and has not been continued.

### **Misclassification & Initiative with Chief States Attorney's Office**

As you also know, with the increase in unemployment filing in recent years, there was likewise a proportionate increase in fraudulent filings of UI claims for benefits. The agency has dramatically ramped up efforts to combat fraud by creating a special unit within the Chief State's Attorney's Office to prosecute egregious cases of UI fraud.

In addition, the agency has pursued wage garnishments, intercepted federal and state income tax refunds and conducted surveillance to restore the integrity of the UI system. Last year, the agency recouped over \$15 million in fraudulently filed UI benefits.

Simultaneously, the agency is vigorously combating cheating in the bidding process by attempting to level the playing field free from misclassifying employees as independent contractors.

### **UI Tax**

The Unemployment Insurance Tax Division conducted nearly 1,800 compliance audits of companies conducting business in the state.

The Division also responded to more than 9,700 individual complaints from workers filing for unemployment insurance benefits where their wages were properly not reported to the agency.

As a result of its investigations, UI Tax reclassified almost 8,000 workers who were incorrectly treated as independent contractors as employees, and recovered more than \$71 million in previously unreported or under-reported payroll.

### **Jobs – “Step Up” (The Subsidized Training and Employment Program)**

Step Up is an initiative of the Connecticut Department of Labor and the state’s five Workforce Investment Boards. The program offers subsidized wage and manufacturing training opportunities to Connecticut businesses looking to grow their companies.

Companies can request wage reimbursement grants of up to \$20 an hour when hiring a qualified, unemployed candidate to work between 32-40 hours a week for a period of up to six months.

Since 2012, over 650 Connecticut businesses have taken advantage of Step Up and more than 2,100 workers have found new employment.

There is no doubt Step Up is successfully creating new jobs, and we appreciate the ongoing support of the Governor and Legislators who have helped us to promote this program to employers and jobseekers. Their support has helped to build and expand our economy and we look forward to building upon the success of Step Up.

### **Wage & Workplace**

Thanks to an appropriation in this budget, the Wage and Workplace Standards Division can hire six additional investigators to continue the agency’s mission to protect the rights of workers to receive minimum wage and overtime.

The Wage Division received more than 3,500 claims and recovered over \$6.5 Million in unpaid wages to 1,701 Connecticut workers.

The Division also issued 181 Stop Work Orders to employers at construction sites who were found to be in violation of workers’ compensation and labor laws.

We appreciate the fact that Governor Malloy recognizes the good work this unit does in ensuring people are paid for the work they do, and are provided protections on the worksite that many of us often take for granted.

### **Apprenticeship**

There are currently more than 4,600 registered apprentices in our state. This reflects a growth of over 400 apprentices since this time last year.

There are also more than 1,500 active employer-sponsors; this reflects a growth of 100 employers from this time last year.

During 2013, the Office of Apprenticeship began a concerted effort to grow registered apprenticeship in the manufacturing sector and it is beginning to see results in that area. A recent agreement with six of Connecticut's Community Colleges, in which they are now approved providers of related instruction for manufacturing apprenticeships, is a great example of interagency cooperation that will benefit both workers.

### **CONN-OSHA**

- 380 consultations in the private sector; 122 consultations in the public sector.
- 224 inspections conducted in the public sector
- 80 training sessions attended by 2,236 public and private sector employers and employees

This gives you a brief overview of some of the work at the Department of Labor. Thank you and we'll be happy to take your questions.